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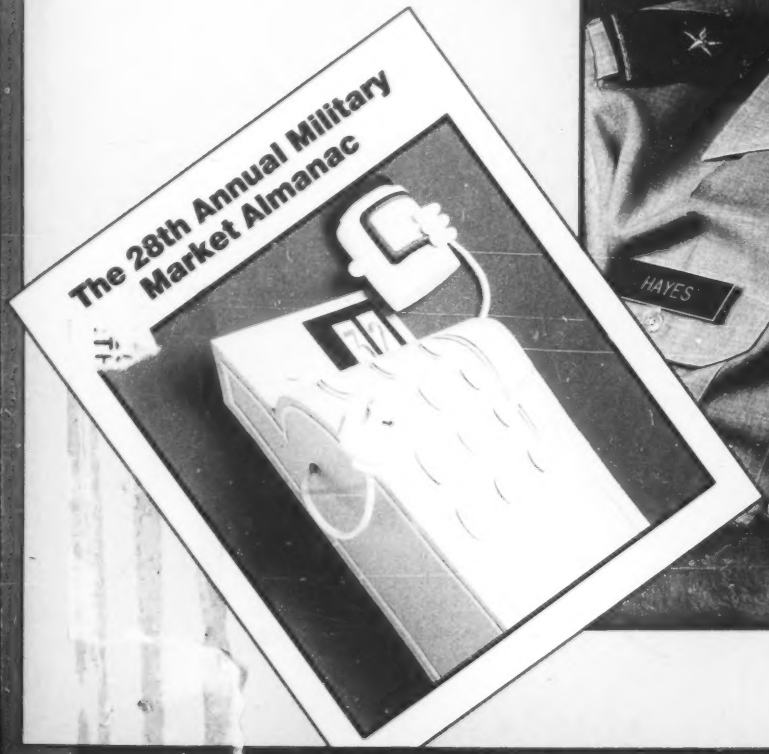
Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY NOVEMBER 1987 $4.00

The Changes He's Seen

The Dean Of Resale Reflects on Sales, Savings, Stores and Central Distribution

Brig. Gen. James S. Hayes, USA, Commander, U.S. Army Troop Support Agency



SPECIAL PULL-OUT: OUR 1988 PROMOTIONS CALENDAR

HE STATE OF TOBACCO: HAS DEGLAMORIZATION DAMAGED SALES?

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COVER DESIGN BY PAUL JORDAN; COVER PHOTOGRAPHS BY KATE PATTERSON

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serving the military resale system

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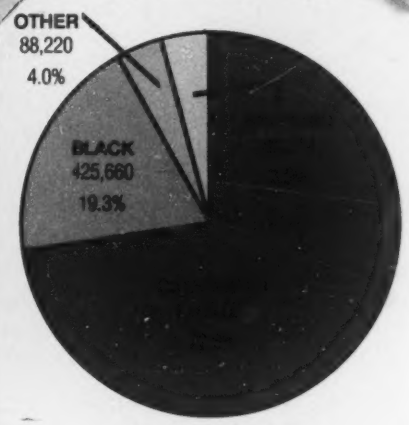
THE MARKET

Race Breakdown of Active Duty Military



As of March 31, 1987

Age Breakdown of Active Duty Military

Years of age	Men	Women	All
UNDER 21	18.1%	17.4%	17.9%
21—25 YEARS	33.7%	40.0%	34.3%
26—29 YEARS	16.7%	20.6%	17.1%
30—35 YEARS	15.9%	16.1%	16.1%
36—39 YEARS	8.7%	4.1%	8.3%
40 AND OVER	6.8%	1.8%	6.3%

As of March 31, 1987

Does Not Include Coast Guard

Source: DoD Directorate Information Operations & Reports (DIOR).

Reserve Forces in Paid Status

ARMY NATIONAL GUARD	
Officers	43,344
Enlisted	409,214
Total	**452,557**
ARMY RESERVE	
Officers	56,621
Enlisted	254,172
Total	**310,793**
NAVAL RESERVE	
Officers	25,360
Enlisted	121,067
Total	**146,427**
MARINE CORPS RESERVE	
Officers	3,528
Enlisted	37,919
Total	**41,447**
AIR NATIONAL GUARD	
Officers	13,561
Enlisted	100,605
Total	**114,166**
AIR FORCE RESERVE	
Officers	16,376
Enlisted	62,894
Total	**79,270**
DoD RESERVES (Total)	
Officers	158,790
Enlisted	985,870
Total	**1,144,660**
COAST GUARD RESERVE*	
Officers	1,618
Enlisted	11,153
Total	**12,771**
TOTAL (All Services)	
Officers	160,408
Enlisted	997,023
Total	**1,157,431**

As of March 31, 1987.

*The Coast Guard is part of the Department of Transportation.

Source: Defense Manpower Data Center.

Age Distribution of Dependent Children of Active Duty Military Personnel

Age Group	Number	Percent
UNDER 5 YEARS	478,100	27.9
5–9 YEARS	667,300	39.0
10–14 YEARS	347,600	20.4
15–17 YEARS	140,500	8.2
18–20 YEARS	77,100	4.5
Total Dependent Children	**1,713,600**	**100.0**

As of March 31, 1987.

Age Distribution of Wives of Active Duty Military

Age Group	Number	Percent
UNDER 20 YEARS	122,900	10.2
20–24 YEARS	428,800	35.6
25–29 YEARS	261,400	21.7
30–34 YEARS	224,100	18.6
35–39 YEARS	119,200	9.9
40 YEARS AND OVER	48,200	4.0
Total Wives Of Active Duty Military	**1,204,600**	**100.0**

As of March 31, 1987.

Source: DoD and DoD/Rand Surveys.

Population of the Military Community*

ACTIVE DUTY	Number	Percent
Active Duty Males	1,980,267	15.9%
Active Duty Females	225,230	1.8%
Total Active Duty Personnel	2,205,497	17.7%
Spouses of Active Duty Military	1,204,594	9.7%
Children of Active Duty Military	1,713,644	13.8%
Other Dependents of Active Duty	73,917	0.6%
Total Active Duty Community	**5,197,652**	**41.8%**
RETIREES		
Retired Military**	1,519,596	12.2%
Spouses of Retired Military	1,227,367	10.2%
Children of Retired Military	1,763,849	14.1%
Total Retired Military Community	**4,560,812**	**36.5%**
RESERVISTS IN PAID STATUS		
Males	1,030,363	8.3%
Females	127,068	1.0%
Total	1,157,431	9.3%
Spouses of Reservists	729,200	5.8%
Children of Reservists	839,907	6.7%
Total Paid Status Reservists Community	**2,726,538**	**21.8%**
Total Military Community	**12,485,002**	**100.0%**

As of March 31, 1987.

*Includes U.S. Coast Guard in Active Duty, Reserves and Retired.

**Includes 116,913 families receiving survivors benefits.

Source: Directorate for Information Operations and Reports, Department of Defense.

Active Duty Military Personnel by Sex

	Total Active Duty	Percent Male	Percent Female
CY1986	2,205,497	89.8%	10.2%
CY1985	2,190,016	90.2%	9.8%
CY1984	2,176,628	90.6%	9.4%
CY1983	2,123,349	90.7%	9.3%
CY1982	2,108,612	91.0%	9.0%
CY1981	2,122,320	91.2%	8.8%

As of September 30th for each year listed.

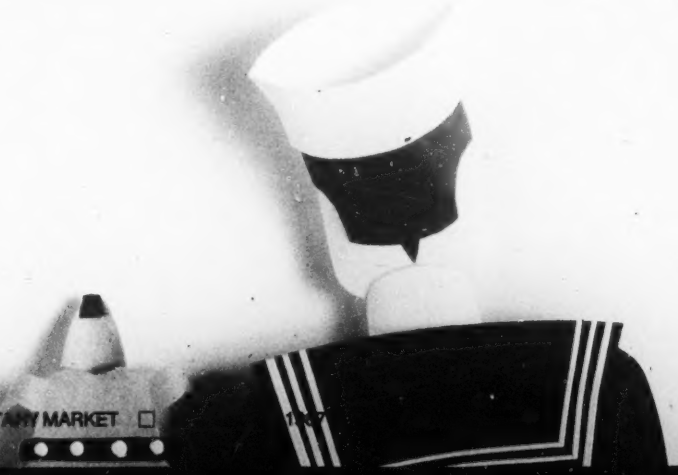
Source: DoD and Department of Transportation.

Active Duty Military Personnel by Rank, Sex and Service

Rank	Army		Navy		Marine Corps		Air Force	
	Male	Female	Male	Female	Male	Female	Male	Female
Officers								
O7-O10	395	4	251	1	68	1	335	2
O-6	4,583	106	3,595	108	640	8	5,592	101
O-5	10,313	507	7,353	393	1,604	34	12,300	442
O-4	16,176	1,434	12,158	1,300	3,176	74	18,803	1,433
O-3	29,337	4,476	19,423	2,854	5,769	238	35,464	5,575
O-2	14,673	2,844	8,631	1,229	4,113	144	12,178	2,334
O-1	7,093	1,714	9,898	1,294	2,610	101	11,727	2,812
Warrant Officers	14,923	332	3,003	28	1,555	55	0	0
Total Officers	97,453	11,417	64,312	7,207	19,535	655	96,399	12,699
Enlisted								
E-9	4,393	26	4,626	13	1,381	9	5,013	25
E-8	15,095	245	9,752	102	3,886	53	9,846	96
E-7	49,852	1,909	32,881	920	9,161	181	38,262	1,057
E-6	81,533	6,623	72,961	4,773	14,859	610	55,090	4,417
E-5	104,592	14,370	93,630	10,514	23,060	1,823	98,875	15,426
E-4	164,023	25,717	92,240	11,148	32,122	2,325	102,742	16,043
E-3	80,435	10,713	80,439	13,195	54,127	2,655	82,437	15,763
E-2	44,951	4,903	43,501	3,797	21,280	1,166	30,063	6,264
E-1	44,934	6,532	30,218	2,731	9,716	336	13,875	2,8433
Total Enlisted	589,808	71,038	460,248	47,193	169,592	9,158	436,203	61,924
Cadets & Midshipmen	3,858	490	4,207	387	0	0	3,839	518
Grand Total	691,159	82,945	528,767	54,787	189,127	9,813	536,441	75,141

Rank	Total DoD			Coast Guard			Total All Services		
	Male	Female	Total	Male	Female		Male	Female	Total
Officers									
O7-O10	1,049	0	1,057	29	0		1,078	8	1,086
O-6	14,410	323	14,733	336	0		14,746	323	15,069
O-5	31,570	1,376	32,946	636	2		32,206	1,378	33,584
O-4	50,313	4,241	54,554	940	15		51,253	4,256	55,509
O-3	89,993	13,143	103,136	1,521	54		91,514	13,197	104,711
O-2	39,595	6,551	46,146	1,059	77		40,654	6,628	47,282
O-1	31,328	5,921	37,249	398	59		31,726	5,980	37,706
Warrant Officers	19,481	415	19,896	1,449	5		20,930	420	21,350
Total Officers	277,739	31,978	309,717	6,368	212		284,107	32,190	316,297
Enlisted									
E-9	15,413	73	15,486	377	0		15,790	73	15,863
E-8	38,579	496	39,075	505	0		39,084	496	39,580
E-7	130,156	4,067	134,223	2,782	25		132,938	4,092	137,030
E-6	224,443	16,423	240,866	5,364	203		229,807	16,626	246,433
E-5	320,157	42,133	362,290	5,074	432		325,231	42,565	367,796
E-4	391,127	55,233	446,360	6,417	569		397,544	55,802	453,346
E-3	297,438	42,326	339,764	4,198	513		301,636	42,839	344,475
E-2	139,795	16,130	155,925	2,982	466		142,777	16,596	159,373
E-1	98,743	12,432	111,175	706	124		99,449	12,556	112,005
Total Enlisted	1,655,851	189,313	1,845,164	28,405	2,332		1,684,256	191,645	1,875,901
Cadets & Midshipmen	11,904	1,395	13,299	0	0		11,904	1,395	13,299
Grand Total	1,945,494	222,686	2,168,180	34,773	2,544		1,980,267	225,230	2,205,497

All data as of September 30, 1986



COMPENSATION

Total Income of the Military Community — Fiscal 1987

Active Duty Military		Retired Military		Reservists in Paid Status	
Total	$70.7		$54.2		$34.4
Military pay, allowances, benefits	62.9	Pensions	19.2	Employment	22.7
Moonlighting and working spouses income	7.8	Second career jobs	25.5	Working spouses income	6.1
		Working spouses income	9.5	Reservist training pay	5.6
Total Income of the Military Community					$158.3 billion

Source: DoD Personnel Budget for fiscal 1987 and Department of Commerce and Bureau of the Census data for non-goverment income of families in the military community.

Average Military Compensation For the Last Ten Years

FY 1978	$15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915
FY 1986	27,682
FY 1987	28,416

Source: DoD Military Personnel Budget for the years shown.

1987 Active Duty Military Annual Compensation

Average Military Compensation	$28,416*
Regular Military Compensation	19,996
Basic Pay	14,436
Basic Allowance for Quarters	1,835
Variable Housing Allowance	470
Station Allowance Overseas	224
Subsistence Allowance	1,622
Federal Income Tax Advantage	1,409
Special Pays & Consumption Advantage	$8,420
Special Allowance	409
Special and Incentive Pays, Bonuses	796
Commissary and Exchange Savings	1,031
Free/Reduced Cost Medical, Dental Care	1,802
Retirement Credit, Current Year's Service	3,427
Social Security Payments (Government Contributions)	955

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

Source: DoD Personnel Budget for FY 1987

Exchange Sales by Region

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
AAFES	$3,175.6	61.2%	$2,011.2	38.8%	$5,186.8
Navy	1,334.4	76.6	411.0	23.4	1,755.4
Marine Corps	379.7	93.5	26.4	6.5	406.1
Coast Guard	75.4	92.7	5.9	7.3	81.3
VCS	183.0	100.0			183.0

$ in millions

Exchange Sales Growth

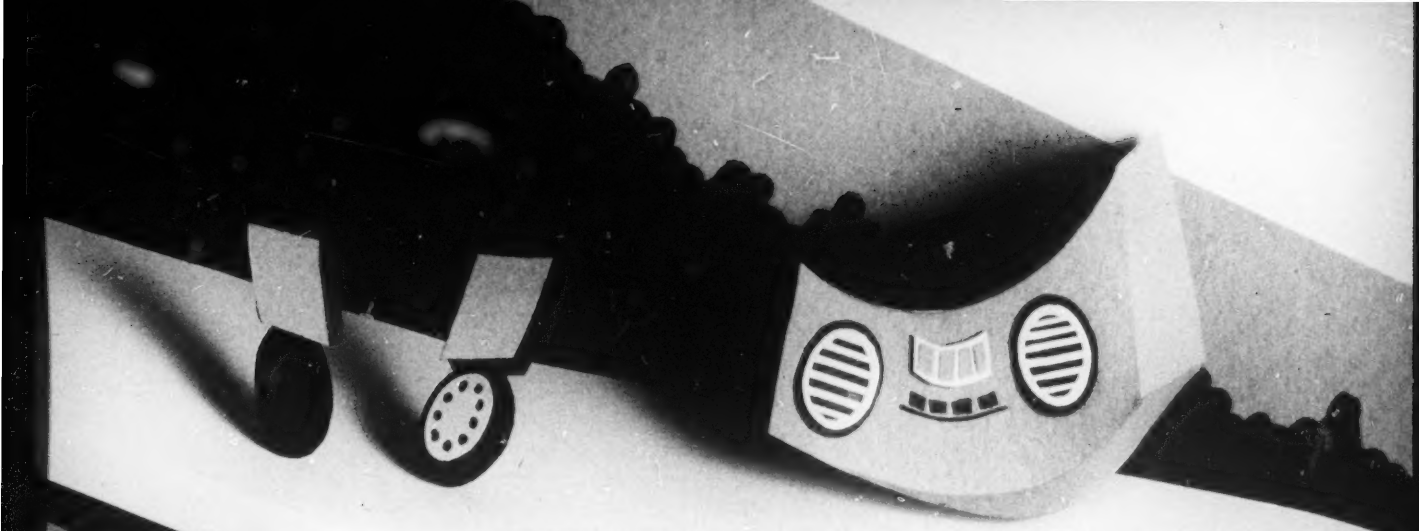
CY 1978	$4.840
CY 1979	$5.286
CY 1980	$5.944
CY 1981	$6.388
CY 1983	$7.083
CY 1982	$6.878
CY 1984	$7.194
CY 1985	$7.238
CY 1986	$7.613

$ in billions.
Source: Resale systems' headquarters.

Percent of Exchange Sales By System Worldwide CY 1986

	Worldwide Sales	Percent of Total Sales
AAFES	$5,186.8	68.1
Navy	1,755.4	23.1
Marine Corps	406.1	5.3
Coast Guard	81.3	1.1
VCS	183.0	2.4
Total	$7,612.6	100.0

$ in billions.



CY 1986 Military Exchange Sales by Department and by Area

DEPARTMENT	DOMESTIC	%	OVERSEAS	%	WORLDWIDE	%
Automotive[1]	$98,512,683	2.5	$44,825,442	2.1	$143,338,125	2.4
Gasoline[2]	303,028,194	7.7	127,058,292	5.9	430,086,486	7.1
Automotive Labor[3]	17,734,705	0.5	3,732,562	0.2	21,467,267	0.4
Tobacco Products, including Vending	290,584,600	7.4	70,980,000	3.3	361,564,600	6.0
Military Uniforms including DPSC Mdse.[4]	228,435,792	5.8	66,166,935	3.1	294,602,727	4.9
Food & Juices	236,676,800	6.0	149,497,900	6.9	386,174,700	6.4
Beer & Sodas	227,758,550	5.8	130,800,354	6.1	358,558,904	5.9
Health & Beauty Aids	202,611,300	5.2	93,463,965	4.3	296,075,265	4.9
Cosmetics & Fragrances	97,458,000	2.5	33,420,300	1.6	130,878,300	2.0
Jewelry, including precious jewelry	106,621,603	2.7	82,957,431	3.9	189,579,034	3.1
Watches	41,916,509	1.1	20,355,758	0.9	62,272,267	1.0
Stationery	69,088,945	1.8	21,777,553	1.0	90,866,498	1.5
Greeting Cards & Paper Goods	50,768,974	1.3	20,457,060	1.0	71,226,034	1.2
Books & Periodicals	66,811,707	1.7	28,902,059	1.3	95,713,766	1.6
Men's Outerwear	85,214,660	2.2	42,091,003	2.0	127,305,663	2.1
Men's Furnishings	159,378,339	4.1	63,679,221	3.0	223,057,560	3.7
Women's Outerwear	119,833,637	3.1	57,497,579	2.7	177,331,216	2.9
Women's Furnishings	92,534,093	2.4	28,514,020	1.3	121,048,113	2.0
Boyswear	40,209,148	1.0	19,372,345	0.9	59,581,493	1.0
Girlswear	33,133,011	0.8	18,974,929	0.9	52,107,940	0.9
Infants' & Toddlers' Wear	52,032,176	1.3	28,965,839	1.3	80,998,015	1.3
Footwear	134,480,722	3.4	58,026,997	2.7	192,507,719	3.2
Linens & Domestics	68,129,733	1.7	35,114,571	1.6	103,244,304	1.7
Yardage & Sewing Notions	17,116,244	0.4	13,261,614	0.6	30,377,858	0.5
Dinnerware & Flatware	17,260,940	0.4	9,867,036	0.5	27,127,976	0.4
Kitchenware	44,013,572	1.1	19,962,512	0.9	63,976,084	1.1
Giftware	43,778,955	1.1	33,659,075	1.6	77,438,030	1.3
Cleaning Supplies	51,794,507	1.3	24,441,798	1.1	76,236,305	1.3
Traffic & Major Appliances	91,129,525	2.3	60,441,191	2.8	151,570,716	2.5
Furniture & Home Furnishings	40,992,173	1.0	60,740,207	2.8	101,732,380	1.7
Hardware & Pet Supplies	91,465,475	2.3	23,822,423	1.1	115,287,898	1.9
Luggage	32,196,725	0.8	12,381,145	0.6	44,577,870	0.7
Garden/Patio Furniture	93,338,524	2.4	14,280,146	0.7	107,618,670	1.8
Sporting Goods	59,817,097	1.5	27,083,563	1.3	86,900,660	1.4
Photo Finishing	29,395,964	0.8	7,954,556	0.4	37,350,520	0.6
Photography & Optical	85,861,521	2.2	59,986,689	2.8	145,848,210	2.4
Toys, Games & Bicycles	74,652,709	1.9	55,568,899	2.6	130,221,607	2.1
Consumer Electronics	270,160,394	6.9	422,597,727	19.6	692,758,121	11.4
Recorded Sound & Video	51,630,112	1.3	58,535,865	2.7	110,165,978	1.8
Total Retail Departments*	$3,917,558,318	100.0	$2,151,216,562	100.0	$6,068,774,880	100.0

[1] AAFES Retail Dept. 1 and Navy Dept. C-8.
[2] AAFES Retail Dept. 2 and Navy Service Dept. J-3.
[3] AAFES Retail Dept. 3 and Navy Service Dept. J-5.
[4] AAFES Retail Depts. 19 & 40; Navy Dept. E-1 and Service Dept. L-1.

* With the exceptions indicated in footnotes 1–4, above totals do not include income from services such as cafeterias, snack bars, beauty and barber shops, or concessions. No vending sales are included except cigarette vending, as noted above.

Research Department, Army Times Publishing Company

COMMISSARIES

Comparison of Operating Ratios: Worldwide Military Commissaries, by Branch of Service, Versus Domestic Civilian Supermarkets

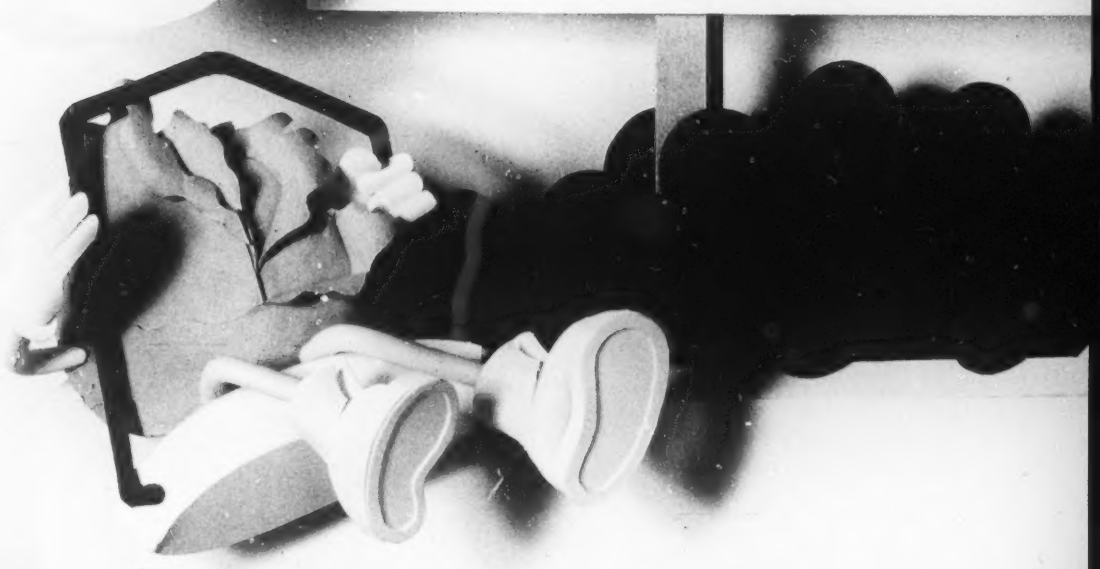
(At Cash Register Prices; No Adjustment Has Been Made For The Average 24 Percent Lower Commissary Price Level)

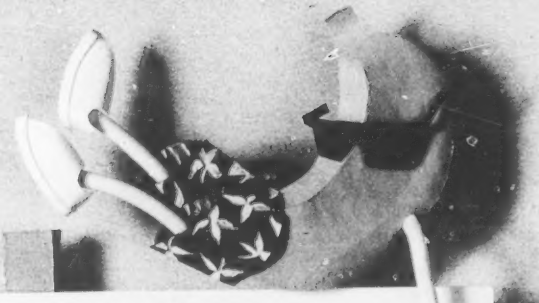
Operating Ratio	Average Percent of Total Sales Meat	Average Percent of Total Sales Produce	Average Percent of Total Sales Grocery
Army Commissaries	13.85	4.45	81.70
Air Force Commissaries	15.78	5.20	79.02
Navy Commissaries	17.42	6.56	76.02
Marine Corps Commissaries	17.33	5.98	76.60
Combined Military Commissaries	15.40*	5.20*	79.40
Civilian Supermarkets	19.36	10.21	70.43

Sources: For commissaries, reports received from headquarters offices of the three military commissary systems shown.

Data is for the 2nd quarter of the calendar year 1986. Surcharge has not been included.

For Civilian Supermarkets: * "1987 Supermarket Sales Manual," Progressive Grocer, July 1987. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.





Commissary Sales by Region CY 1986

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
Air Force	$1,881.9	83.7%	$366.9	16.3%	$2,248.8
Army	1,323.5	75.5	428.5	24.5	1,752.0
Navy	723.3	89.6	84.5	10.4	816.8
Marine Corps	162.2	98.1	3.1	1.9	165.3
Coast Guard	6.7	100.0			6.7
State Department			57.3	100.0	57.3
Totals	$4,106.6		$940.3		$5,046.9

$ in millions

Percent of Commissary Sales By System Worldwide CY 1986

	Worldwide Sales	Percent of Total Sales
Air Force	$2,248.8	44.6
Army	1,752.0	34.7
Navy	816.8	16.2
Marine Corps	165.3	3.3
Coast Guard	6.7	0.1
State Department	57.3	1.1
Total	**$5,046.9**	**100.0**

$ in millions.

Commissary Sales Growth

CY1978	CY 1979	CY 1980	CY 1981	CY 1982	CY 1983	CY 1984	CY 1985	CY 1986
$3.283	$3.604	$3.919	$4.251	$4.476	$4.705	$4.874	$4.918	$5.047

$ in billions SOURCE: Headquarter offices of commissary systems.

ALMANAC

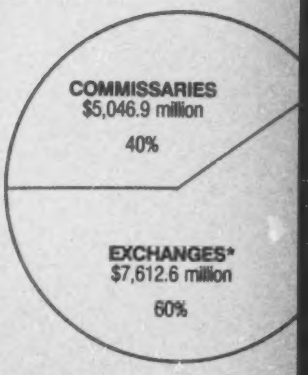
THE MARKET'S RETAIL SALES

Largest Supermarket Chains

	1986	1985		1986	1985
1 Safeway	$20.3	$19.7	6 Lucky	6.4	6.2
2 Kroger	17.1	16.0	7 Supermarkets General	5.5	5.0
3 American Stores	14.0	13.9	8 Albertson's	5.4	5.1
4 Winn-Dixie	8.2	7.8	**9 Worldwide Commissaries**	**5.0**	**4.9**
5 A & P	7.8	6.6	**10 Domestic Commissaries**	**4.1**	**4.1**

$ in billions.

Source: Civilian supermarket sales are as published in "Retailers' 1986 Performance, *Supermarket News*, July 27, 1987, issue, page 45. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales include the 5 percent surcharge.



TOTAL
$12,659.5 million
100%

*Includes sales by mail order catalog, concessions, al services, etc.

Combined Commissary And Exchange Sales

CY 1977	$7.454 billion
CY 1978	8.123 billion
CY 1979	8.890 billion
CY 1980	9.863 billion
CY 1981	10.640 billion
CY 1982	11.354 billion
CY 1983	11.789 billion
CY 1984	12.068 billion
CY 1985	12.155 billion
CY 1986	12.660 billion

Combined CY 1986 sales for commissaries and exchanges were $12.7 billion. Worldwide and domestic commissaries maintained their rank as in 1985 — ninth and tenth place, respectively.

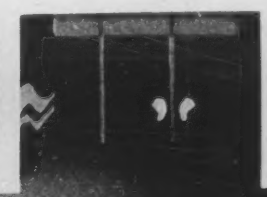
Worldwide military exchanges dropped to eighth place, as May Department Stores moved into fifth place, replacing Wal-Mart, which moved up to fourth place. Domestic military exchanges maintained their eleventh-place ranking in 1986.

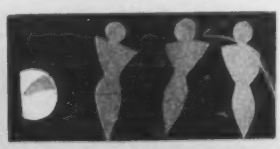
Largest Department/Variety Store Chains

	1986	1985		1986	1985
1 Sears	$27.1	$26.6	**8 Worldwide Military Exchanges**	**7.6**	**7.2**
2 K mart	21.3	20.1	9 F.W. Woolworth	6.5	6.0
3 J.C. Penney	14.7	13.7	10 Zayre	5.3	4.0
4 Wal-Mart	11.9	8.4	**11 Domestic Military Exchanges**	**5.2**	**5.0**
5 May Department Stores	10.3	9.4			
6 Dayton-Hudson	8.2	8.0			
7 Federated Department Stores	8.4	8.2			

$ in billions.

Source: Sales of civilian department store chains are as reported by "State of the Industry: Top 100 Chains," Chain Store Age, General Merchandise Trends, June 1986. Military exchange sales are as reported by the headquarters offices of the various exchange systems.





person-

Is Smoking Going INTO The Closet?

A nationwide movement continues to push smoking into its own corner. And while tobacco marketers and vendors still make a nice profit and can easily argue the pro-tobacco line, they are upset about another movement: DoD restrictions on promotions and, now, not enough shelf space in stores.

Gone are the glamour days of smoking.

Ten months after it began, the Defense Department's deglamorization program has changed attitudes and numbers.

Military tobacco sales are down an average of 10 percent.

The elimination of promotional activity has been the primary cause, military sales managers told MILITARY MARKET.

While promotional efforts by tobacco manufacturers in the civilian market are at an all-time high, resale system promotions were halted on the first of January of this year.

At that time, the Defense Department directed each service to eliminate all military-specific coupons, stop all promotional activities in stores, require stores to display the Surgeon General's warning, eliminate point-of-sale material, and stop special tobacco displays.

The order also restricted military personnel from participating in manufacturer-sponsored activities which promote tobacco.

Tobacco sales managers are still upset about the decision to stop promoting their products. But now they are more concerned with an issue that all suppliers care about — getting enough shelf space in commissaries.

"Space limitations are hampering our sales," said one national sales manager.

By Beverly Jones, Associate Editor

Photographs by Kate Patterson

market report

The Air Force Commissary Service did cut down the number of cigarette brands to 100 items or fewer. They used to carry anywhere from 100 to 150 lines of cigarettes.

"And that wasn't part of the required program by DoD — they just did it on their own," the manager added angrily.

"We've lost from three to five brands, depending on the region," said Irv Otte, director of vending and military sales for Brown & Williamson Tobacco Co.

While the Army's Troop Support Agency has not decreased the number of lines in its tobacco section, AFCOMS did wind up decreasing its number of tobacco lines because of its new Master Stock List program.

The Master Stock List was begun in January 1987 for all store product categories, "to obtain optimum product mix," said Mike Hawkins, deputy director of AFCOMS public affairs.

Air Force commissary officials feel that "100 brands of cigarettes will take care of 98 percent of customer demand," said Hawkins.

However, the number of 100 isn't set in stone. "The stores and regions can exceed the maximum if necessary to satisfy customer demand," he said.

"Since the selection of brands to be stocked is a local option, we are unable to determine the impact by subcategory. However, we do not feel there has been significant impact," Hawkins said.

(Marine Corps commissaries don't sell tobacco products at all. Only five Navy stores do: Pearl Harbor, Hawaii; two stores in Charleston, S.C.; Guam, and Atsugi, Japan.)

The Military's Side of the Story

How are vendors dealing with the stock limits?

One sales manager outlined his theory. "Our approach to the military is this: If you cut brands, you cut sales. You then cut service to your patrons and dollars to the surcharge pot."

"Is that something they want to do?" he added.

While tobacco sales managers complain about a lack of shelf space, their employers are creating new problems for them — new brands and new line extensions of old brands, all of which they have to try to get on the shelves. Some established brands, like Philip Morris' Marlboro for example, have as many as as seven variations. *[EDITOR'S NOTE: See separate market report on page 72.]*

While civilian tobacco sales slid 2 percent in 1986, military tobacco sales skidded down 10 percent or more this year over last. All the resale services, except Navy commissaries, reported a decline in tobacco sales in their estimated fiscal 1987 figures.

Knowing that tobacco represents a hefty 10 percent or so of all commissary sales, nobody was very happy when the deglamorization program was conceived during the spring of 1985.

But the services had no choice, because the directive came from the Secretary of Defense. "The Secretary felt smoking affected readiness," a DoD source said.

In March 1985, a DoD report listed four alternatives to curb smoking in the military. They were to eliminate tobacco from the stores, to raise the prices to civilian levels, to maintain the status quo, or to institute an educational program to discourage smoking, the DoD source said. The last option was chosen because it was least damaging, while still actively discouraging the military from smoking.

A report on smoking and health issued this June noted that total military tobacco sales have declined 10 to 17 percent since the educational program began in March 1985.

The program's goal is to reduce the number of smokers in the military by 10 percent a year.

A biennial DoD-wide survey, to be published next spring, will tell if the goal has been accomplished.

From the resale system's point of view, the program has worked.

AFCOMS has reported a decrease for 1987 — but declined to say how much.

The Army posted a 8.6 percent drop in unit volume for the first and second quarters of 1987 compared with the same periods last year.

It's no different in exchanges, where managers are also feeling the effects of the deglamorization program.

The Army and Air Force Exchange Service reported a sales decrease of more than 12 percent from fiscal 1986 to fiscal 1987.

Navy exchanges haven't reported any 1987 figures yet, but sales dropped 4.9 percent in fiscal year 1986.

(The five Navy commissaries that sell tobacco bucked the negative sales trend. Sales in those stores increased 4.2 percent between August 1986 and August 1987.)

A portion of AAFES' decrease, according to Mike Frakich, the agency's tobacco buyer, comes from the pricing disparity between commissaries and exchanges.

AAFES does not offer as many lines items in the category as most commissaries. "We stock 40 line items to their 100," Frakich said.

"We've lost from three to five brands, depending on the region."

market report

ON-BASE CIGARETTE SALES

	DOMESTIC
Exchanges*	$279,867,000
Commissaries	246,913,800
Clubs	49,442,000
Total	**$576,222,800**
	OVERSEAS
Exchanges*	$65,011,400
Commissaries	46,700,500
Clubs	23,381,500
Total	**$135,293,400**
	WORLDWIDE
Exchanges*	$344,878,400
Commissaries	293,614,300
Clubs	73,023,500
Total	**$711,516,200**

CY 1986 * INCLUDES VENDING MACHINE SALES. SEE NOTES ON PAGE 73.

MILITARY PER CAPITA CIGARETTE SALES

YEAR	PER CAPITA
1986	7,450
1985	7,679
1984	8,289
1983	8,591
1982	8,872
1981	8,698
1980	8,603
1979	8,598
1978	9,091
1977	8,924
1976	9,140
1975	9,036
1974	9,061
1973	8,612

IN UNITS, WORLDWIDE ONLY. FOR ADULTS 18 OR OLDER, ON-BASE SALES SEE NOTES ON PAGE 73.

As the resale systems build more shopping malls, customers have an easier time comparing the higher exchange prices with the lower ones in commissaries. Having the two stores next door to each other ends up having a negative effect on exchange tobacco sales.

"We do get single soldiers who don't want to wait in line at the commissary [to buy cigarettes]," Frakich noted, while commissaries tend to attract families already there for their food shopping.

Consumption Equals Sales

Nationwide, waning tobacco sales reflect the decreasing number of people who smoke.

The national Center for Disease Control reports that 26.5 percent of adults were smokers in 1986 — compared to 40 percent in 1964. The agency also said that 29.5 percent of the male population smokes — compared with 23.5 percent of women. The highest smoking rate is among black males between the ages of 25 and 44 — 46.9 percent.

Other government analysts estimate that today just less than one-third of the population over 18 years old smokes. During the 1950s, about half of the population over 18 years old smoked.

Whichever numbers are used, the number of smokers is continually decreasing, while the number of tobacco opponents is increasing. Tobacco manufacturers and their interests have never lobbied harder than during the past several years.

In the past year, attacks on military smoking from outside the resale industry have had far-reaching effects on where military and government employees can smoke. Many public places where smoking was the norm now are off-limits. *[EDITOR'S NOTE: See report on legislation below on this page.]*

Yet even with the decreasing demand, industry anaylsts say tobacco manufacturers are still making a decent buck.

"Despite increasing anti-smoking legislation, local restrictions and negative publicity, consumer sales continue to decline at approximately the 2 percent rate, which has been the past pattern," according to *The Maxwell Report* for the second quarter of 1987. (Author John C. Maxwell is an analyst with Furman Selz Dietz Mager & Birney and a longtime tobacco industry watcher.)

"Tobacco companies are one of the biggest profit-makers in the country," he told MILITARY MARKET. Despite disappointing sales figures, Maxwell concluded, they are still doing well. MM

Nothing Yet — Still, Anti-Smoking Proposals In the Air on Capitol Hill

To date, no legislation affecting tobacco sales in the resale system has been introduced on Capitol Hill in the current session.

Although Sen. Jeff Bingaman (D-N.M.) attempted in reintroduce his bill to raise the price of tobacco in commis-

market report

"Our approach to the military is this: If you cut brands, you cut sales. You then cut service to your patrons and dollars to the surcharge pot."

"Is that something they want to do?"

WORLDWIDE MILITARY ON-BASE CIGARETTE SALES

Year	Total	Exchanges	Commissaries	Clubs
1991*	$918.0	$435.0	$386.0	$97.0
1986	711.5	344.9	293.6	73.0
1985	726.2	349.1	297.9	79.2
1984	734.3	358.8	295.3	80.2
1983	725.5	369.9	274.5	81.1
1982	708.5	364.8	269.5	74.2
1981	668.0	347.8	251.0	69.1
1980	619.5	332.4	223.2	63.8
1979	574.0	308.2	207.2	58.6
1978	560.5	314.3	190.3	55.9
1977	518.1	294.6	171.4	52.1
1976	499.1	281.6	168.0	49.5
1975	489.4	273.6	167.0	48.8
1974	447.0	251.0	150.0	46.0
1973	431.7	249.0	139.7	43.0

DOLLARS IN MILLIONS * IN CONSTANT DOLLARS OF 1986 PURCHASING POWER.
SEE NOTES ON PAGE 73.

saries to prevailing civilian prices, it never got out of committee and onto the floor of the Senate. His office told MILITARY MARKET that Bingaman might try again in the future.

The climate for civilian anti-smoking regulations continues to be active. Nearly six times as many tobacco-related measures were introduced in the 99th Congress as in the 96th, according to the Tobacco Institute.

Pending legislation in the 100th Congress includes:

☐ Restricting smoking on airplane flights of two hours or less. This cabin air quality issue has the best chance of any anti-smoking legislation, said Fran Dumelle, director of government relations for the American Lung Association. The amendment has passed the House and is awaiting action in the Senate, where it faces tougher scrutiny.

The Reagan administration said last month it opposes legislation to ban smoking on domestic airline flights and will leave such matters up to airline companies to decide.

(Air Canada has banned smoking on all flights within Canada and on flights from Toronto to New York. The California legislature recently adopted legislation banning smoking on intrastate flights beginning in January.)

☐ Raising the federal excise tax on tobacco. This is an issue Congress sometimes considers when it's looking for ways to raise additional revenue. The current proposal, still in committee on both sides of Congress, calls for doubling the tax from the current 16¢ to 32¢.

When the tobacco industry was hit with an increase of 8¢ in 1983, it suffered a 5-percent drop in unit sales. If the 16¢ is added, unit sales will fall at least that much, predicts a Tobacco Institute spokesman.

The Tobacco Institute terms this a regressive tax because it hits the lowest-income segment and hurts minority groups, which tend to smoke more than non-minorities. The American Lung Association retorts that the proposed rate is only keeping up with inflation and calls it "a user fee" — not "a luxury tax," as others have defined it.

Reynolds Fires Back: Yes, We Have Invented The Smokeless Cigarette

A smokeless cigarette? It sounds like a contradiction in terms — but not to R.J. Reynolds.

Reynolds Tobacco, a subsidiary of RJR Nabisco, created a stir in September when it announced that its scientists had developed a smokeless cigarette.

The cigarette eventually will be sold in commissaries when it comes out of hiding sometime next year. As per usual industry procedure, it will be test marketed first, then rolled out nationally.

The brand name hasn't been publicized yet, but it is expected that the smokeless wonders will sell at a price comparable to other name brands.

According to Reynolds, the cigarette is based on "new technology that heats rather than burns tobacco to provide smokers with tobacco taste and satisfaction."

Although it looks, lights and smokes like other cigarettes, it produces no ash. And its construction is totally

market report

CIGARETTE USE BY THE MILITARY IS SIGNIFICANTLY GREATER THAN THE U.S. AVERAGE

	U.S. Average Per Capita*	Military Per Capita**	Military Index
U.S.	3,274	—	—
Military	—		
Worldwide	—	7,450	228
Domestic	—	7,011	214
Overseas	—	9,511	291

* CIGARETTES PER CAPITA, TOTAL U.S ADULTS 18 OR OLDER.
** CIGARETTES PER CAPITA, MILITARY ADULTS 18 AND OLDER, ON-BASE SALES ONLY. CY 1986 SEE NOTES ON PAGE 73.

CIGARETTES ARE THE THIRD LARGEST CATEGORY IN THE WORLDWIDE RESALE MARKET

RANK	CATEGORY	AMOUNT
#1	Meat	$1,160
#2	Civilian clothing	1,137
#3	Cigarettes	712
#4	Consumer electronics	693
#5	Cosmetics, drugs, toiletries	591
#6	Household supplies	523

DOLLARS IN MILLIONS, 1986. SEE NOTES ON PAGE 73.

different from other cigarettes. Because the cigarette doesn't actually burn, it contains no tar — a product of combustion.

Instead, after the cigarette is lit by an ordinary match, heat from the charcoal-insulated tip enters a flavor capsule which is packed in tobacco. The heat is then cooled as it passes through the filter and inhaled by the smoker.

The cigarette remains lit for the same length of time as a regular king-size, but it extinguishes itself and doesn't need to be crushed out. Another feature, the North Carolina company said, is that it won't ignite other materials when lying flat on a surface.

It also uses 70 percent less tobacco than ordinary cigarettes.

"We think this will be the world's cleanest cigarette," said Edward A. Horrigan Jr., chairman and chief executive officer of R.J. Reynolds.

He said that, after the first few puffs, the cigarette releases virtually no "sidestream" smoke. For that reason, "we believe it will be well-received by those people who object to tobacco smoke."

Smoking opponents have battled over environmental tobacco smoke — ETS — since the early 1980s. A number of studies have suggested a link between tobacco smoke in the environment and lung cancer but the tobacco industry has disputed them.

The advent of a smokeless cigarette appears to address the ETS issue.

But many persons in the tobacco industry have lambasted Reynolds over its new development, saying that its existence admits that ETS does exist and is harmful to nonsmokers.

On the social end of the tobacco question, the new development comes at an appropriate time. Smokers are more restricted in public than ever before, having to use specified smoking areas at work and restaurants or not smoking at all in order to get a job.

Realizing this, Reynolds created a cigarette for smokers in social situations where the smoke might offend others.

"It became so obvious that we had to develop a new cigarette that went beyond tar reduction to address the perceptions regarding cigarettes," Horrigan said.

The question not yet answered is whether the new cigarette is really smokeless or not.

To date, Reynolds hasn't allowed outside organizations to study it, according to Tim Hensley of the Office of Smoking and Health in the U.S. Department of Health and Human Services.

"As far as I know, no one has had the chance to look at it," Hensley told MILITARY MARKET. But, he added, "it still has nicotine in it, and nicotine is a drug."

Reynolds' own scientists are conducting tests on the new cigarette, and the results will be made available to the scientific community, the company said.

When the story broke in mid-September, Reynolds wasn't quite ready to unveil its new technology, having planned on waiting until 1988 to announce the development. But the story got prematurely broadcast — thanks to a tip to the Cable News Network. The next day the company scheduled a press conference in New York.

Horrigan said it was still too soon to assess the cigarette's impact on the market. Other tobacco companies said they'll be anxiously watching its developments.

Cigarette Niches: Another Slice Would Be Nice

With more than 250 cigarette brands now competing in a deteriorating market, manufacturers are slicing their niches as thin as they can.

Take the female "slims" market, for example. . . .

Slim cigarettes are thinner and longer than regular smokes and are usually pitched to women.

The "slims" market represents close to 9.5 percent of total adult smokers. Several new products and line extensions came out this year.

"They are really going after the female market," one tobacco sales manager said.

Using upscale packaging, Brown & Williamson introduced Capri this year to attract women. The 100mm cigarette went national in May after a 6-month test in Louisiana.

Just 17 millimeters in circumference, the cream-colored tube is more than slim — it's ultra-slim. "The Capri concept has been tailored to create a decidedly high-style product," a company spokesman said.

The packaging is an interesting highlight. The flip-top box features a pastel watercolor logo, with the words, "Trim and Light," set at the bottom of the box.

Capri competes with Liggett & Myers' Eve brand and Philip Morris's Virginia Slims.

Lorillard extended its Newport name to Newport Stripes this summer. A thin 100mm, it is also designed for women. The Newport line is one of the fastest-growing brands, with 3.8 percent of the market share at the end of 1986 — up from 3.4 percent in 1985, reported tobacco expert John C. Maxwell, author of *The Maxwell Report*.

R.J. Reynolds Tobacco U.S.A. used the same concept with its popular Salem line. Earlier this year, the company introduced Salem Lights 100s in a new package with a crush-proof box.

Male smokers, too, are being lured by new images and packaging.

Lorillard's new Harley-Davidson cigarette is a manly case in point.

"Our objective is to capitalize on Harley-Davidson's pre-existing image to generate interest and appeal to the male segment of the cigarette market," said Victor Lindsley, brand manager.

"The Harley-Davidson name was licensed because of Harley's all-American image," he said.

The new brand entered a test market in Terre Haute, Ind., this fall. Full-flavored, Harley-Davidson is packaged in black with a gold eagle that appeals to many men's sense of power.

Harley will compete against the industry's front runners — Philip Morris' Marlboro, the No. 1 cigarette, and No. 2 Winston, from RJR.

Price/Value Market = Low-Price Cigarettes

As prices increase, the price/value segment has captured more market shares. Almost non-existent just a few years ago, this market now represents nearly 9 percent of all retail cigarette sales in the United States.

Low-price cigarettes (The words, *price/value segment*, are what the industry likes to say.) fall into several subcategories: generic-priced brands, value-priced 25s, private label, and plain-packaged generic cigarettes.

The fastest-growing of those subcategories in both exchanges and commissaries are branded generics, despite their lower profit margins for manufacturers. While the packaging looks like that of a regular-priced cigarette, the price is significantly lower.

In Navy exchanges, generics account for 12 percent of all cigarette sales, according to a report given this spring to NAVRESSO's Advisory Committee. This segment alone generates a gross profit of 40 percent — compared to 22 percent for branded cigarettes, the report said.

The branded generic category is "the field everyone is looking to in the military," Ted Costas, national manager for military accounts at Philip Morris U.S.A., told MILITARY MARKET.

"Branded generics give customers a branded look without the higher price," said Carol Jova, a spokeswoman for Liggett & Myers. The Durham, N.C., company is one of the smaller tobacco companies, but it is also one of the most active in the generic market.

"They are really going after the female market."

"Our objective is to . . . appeal to the male segment of the cigarette market."

Branded generics made up 28 percent of the total low-price segment. *The Maxwell Report* says that they have provided all the growth at the expense of black and white or plain-packaged generics.

Reynolds' Doral brand is a success story in this category. Doral was reintroduced in 1984 as a branded generic. Overall sales increased 70 percent last year.

"Doral is the fastest-growing cigarette in commissaries," said Ralph Gaillard, national military sales manager for Reynolds.

Although Doral is No. 1 in growth in commissaries, Marlboro holds the top sales slot in the overall resale business.

One of Doral's principal competitors is Philip Morris' Cambridge. "We've closed some of the gap between Doral and Cambridge," said PM's Costas.

Both Philip Morris and Reynolds are extending their lines. While Doral is Reynolds' low-priced star, the company hopes its new Magna brand will be another Doral in the generic-priced segment.

Magna, packaged in a crush-proof box, was tested in 10 markets earlier this year. It will be marketed to the 18-to-34 age group which is image-conscious but don't want the

higher prices of brand name cigarettes.

American Tobacco Co. introduced its first generic-priced cigarette this year. Malibu was tested in Washington state, New Hampshire and Illinois. It's available in regular, lite and menthol flavors.

Falcon Lights, a branded generic, tested by Brown & Williamson in 1986, has rolled out nationally and is in commissaries.

B&W's Richland 25s are now being tested in a 20-pack, said Irv Otte, vending and military sales director. "People do not understand the 25-pack proposition," he said. So B&W is testing Richland in both sizes to see which sells better.

The 25-pack, marketed to consumers as five free cigarettes for the price of 20, did not do as well as the company had hoped. "The value 25s have plateaued and may even be declining now that the period of new introductions and heavy support has ended," says Maxwell.

Liggett hopes its new size for L&Ms will do what 25s did not — L&M 30s have 10 extra cigarettes at the price of a pack of 20.

"L&M introduced the very first generic cigarettes," said Hal Grant, Liggett's senior vice president for sales and marketing. "It's only natural that we should be taking a leadership role in expanding this market segment by introducing the first 30-per-pack brand."

L&M 30s are being test-marketed in eight areas and are available in a Light 100s soft pack.

NOTES ON THE CIGARETTE CHARTS

1 — Sales data were provided by the headquarters offices of the various on-base resale systems: exchanges, commissaries and clubs.

2 — Military population figures for per capita computations were obtained from the Department of Defense. Civilian population figures for per capita computations were obtained from the "Survey of Buying Power," published by *Sales and Marketing Management.*

3 — Total U.S. cigarette sales were obtained from "Tobacco Outlook and Situation," published by the U.S. Department of Agriculture, Economics, Statistics and Cooperative Services.

4 — Computations were provided by the Research Department, Army Times Publishing Co.

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market report

Have A Premium Cigar? A Cigarette Substitute?

The cigar industry deals with the same scrutiny the cigarette industry does, and from the same opponents — only more so. And cigar smokers have been restricted to where they can smoke a lot longer than cigarette smokers.

The cigar category is still sliding in terms of sales — with overall sales down 9 percent last year.

But declining sales are caused by something different than the cigarette market faces. Cigar smokers are simply decreasing their intake, not quitting, according to the Cigar Association of America.

"Years ago, the cigar smoker averaged 20 to 30 cigars a week. Now, it's eight to 12 cigars per week," said CAA's Steve Cowherd.

According to John C. Maxwell's industry report on cigars, all cigar categories declined, as little cigars took the biggest hit. The large cigar category fell 5.5 percent; cigarillos dropped 2.9 percent. Little cigars plummeted 20.9 percent.

There is one exception to the growth trends, though: In the premium group, where cigars sell for 50¢ or more, Maxwell said in his report.

"The only bright stop is the premium market," agreed CAA's Cowherd. This premium category represents 23 percent of total cigar revenue, he said, and 6 percent of total cigar volume.

Something New on the Smokeless Front

When it's impolite to light up in public or it's illegal to do so in a nonsmoking area, Pinkerton Tobacco Co. has come to the rescue.

The company is testing a smoking alternative called Masterpiece Tobacs. Tobacs are made from finely ground tobacco leaf which is mixed with cinnamon or peppermint flavorings. The soft cubes look like pieces of chocolate candy.

The result is a smokeless tobacco that can be chewed for a gradual release of tobacco and nicotine. It's more like a gum (though the company doesn't call it that) than chewing tobacco or snuff.

Tested this year in Baltimore, Birmingham, Phoenix, and Columbus, Ohio, the company expects to go national sometime next year.

"Tobacs are a substitute for cigarettes, not [a substitute] for chewing tobacco," a Pinkerton spokeswoman said. "They are used in situations where smoking is inappropriate." Restaurants, theaters, airplanes, public transportation and offices and factories are examples of "those everyday non-smoking situations" where smokers can use Masterpiece as an alternative.

The flip-top box package is designed to look and feel like other tobacco products.

Tobacs, the company says, aren't to be confused with nicotine gums that are designed to help smokers kick the habit. "It is intended as an alternative for adult tobacco users to find tobacco satisfaction in another form," according to a Pinkerton statement.

Smokeless tobacco is another non-smoking tobacco. It comes in two basic types — chewing and snuff, with several different varieties of each.

Sales in this $1-billion market are divided almost evenly between snuff and chewing tobacco.

Overall, smokeless tobacco unit sales were down 6.2 percent in 1986, "the largest decline in recent history," according to a recent *Maxwell Report*.

The decline, Maxwell said, was caused by labeling regulations and taxation on the industry. In addition, there was some bad press because of the alleged ill-health effects of using chewing tobacco.

Since most of the tobacco industry is geared toward cigarettes, smokeless tobacco manufacturers have a tough time getting shelfspace. "We beg," teased one marketer.

"We find it's a store-by-store basis," said Donna Leitao, manager of military sales for United States Tobacco Co. The Greenwich, Conn., manufacturer is focusing this year on getting its products into commissaries, she said. "We're in about 50 percent of all domestic commissaries so far."

U.S. Tobacco's nine-item line does well in exchanges, too, she said. Copenhagen is No. 1.

Military sales for the company have "substantially increased this year," she said.

"Tobacs are a substitute for cigarettes, not [a substitute] for chewing tobacco."

Military Market index

COMMISSARIES

		JULY			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$165,509	$160,222	3.30	$1,114,298	$1,085,979	2.61
	OVERSEAS	34,595	31,997	8.12	232,577	208,430	11.59
AIR FORCE	**TOTAL**	**200,104**	**192,219**	**4.10**	**1,346,854**	**1,294,409**	**4.05**
	CONUS	115,710	112,665	2.70	782,985	760,305	2.98
	OVERSEAS	40,425	35,175	14.93	273,210	246,435	10.86
ARMY	**TOTAL**	**156,135**	**147,840**	**5.61**	**1,056,195**	**1,006,740**	**4.91**
	CONUS	58,198	53,994	7.79	439,006	419,072	4.76
	OVERSEAS	6,481	6,336	2.29	49,037	46,488	5.48
NAVY	**TOTAL**	**64,679**	**60,330**	**7.21**	**488,044**	**465,560**	**4.83**
	CONUS	13,975	13,821	1.11	94,853	98,175	-3.38
	OVERSEAS	293	273	7.33	1,915	1,861	2.90
MARINE CORPS	**TOTAL**	**14,268**	**14,093**	**1.24**	**96,769**	**100,036**	**-3.27**
	CONUS	222	254	-12.60	1,756	1,824	-3.73
	OVERSEAS	272	215	26.51	2,123	2,000	6.15
COAST GUARD	**TOTAL**	**495**	**468**	**5.77**	**3,879**	**3,824**	**1.44**
	CONUS	$353,614	$340,956	3.71	$2,432,898	$2,365,355	2.86
ALL	OVERSEAS	$82,066	$73,996	10.91	$558,862	$505,214	10.62
COMMISSARIES	**TOTAL**	**$435,680**	**$414,952**	**5.00**	**$2,991,760**	**$2,870,569**	**4.22**
GROCERY STORES	*U.S.[1]*	*$25.369*	*$24.211*	*4.78*	*$165.917*	*$160.099*	*3.63*

EXCHANGES

		JULY			YEAR TO DATE		
		CY'87	CY'86	% CHANGE	CY'87	CY'86	% CHANGE
	CONUS	$270,374	$237,623	13.78	$1,782,239	$1,653,409	7.79
	OVERSEAS	196,871	162,332	21.28	1,326,856	1,158,375	14.54
AAFES	**TOTAL**	**467,245**	**399,954**	**16.82**	**3,109,095**	**2,811,784**	**10.57**
	CONUS[2]	89,293	84,548	5.61	634,380	587,383	8.00
	OVERSEAS[2]	38,374	38,542	-0.44	274,695	259,287	5.94
NAVY	**TOTAL[2]**	**127,667**	**123,090**	**3.72**	**909,075**	**846,670**	**7.37**
	CONUS	30,408	28,453	6.87	200,892	191,927	4.67
	OVERSEAS	5,145	4,828	6.57	34,408	33,857	1.63
MARINE CORPS	**TOTAL**	**35,553**	**33,280**	**6.83**	**235,300**	**225,784**	**4.21**
	CONUS[3]	6,588	6,722	-1.99	45,794	46,728	-2.00
	OVERSEAS[3]	491	501	-2.00	3,411	3,480	-1.98
COAST GUARD	**TOTAL[3]**	**7,079**	**7,223**	**-1.99**	**49,205**	**50,208**	**-2.00**
	CONUS[4]	1,122	1,067	5.75	9,882	9,014	9.63
	OVERSEAS[4]	2,570	2,374	8.26	16,061	22,434	-28.41
MAIL ORDER	**TOTAL[4]**	**3,691**	**3,436**	**7.42**	**25,942**	**31,448**	**-17.51**
	CONUS	$397,785	$358,407	10.99	$2,673,187	$2,488,461	7.42
	OVERSEAS	$243,451	$208,577	16.72	$1,655,431	$1,477,433	12.05
ALL EXCHANGES	**TOTAL**	**$641,236**	**$566,984**	**13.10**	**$4,328,618**	**$3,965,894**	**9.15**
DEPARTMENT STORES	*U.S.[1]*	*$10.403*	*$9.799*	*6.16*	*$69.931*	*$66.041*	*5.89*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.